



Bethpage Public Infrastructure Financing: A New Opportunity

Prepared for the City of Durham
November 8, 2012



Bethpage - Infill Location

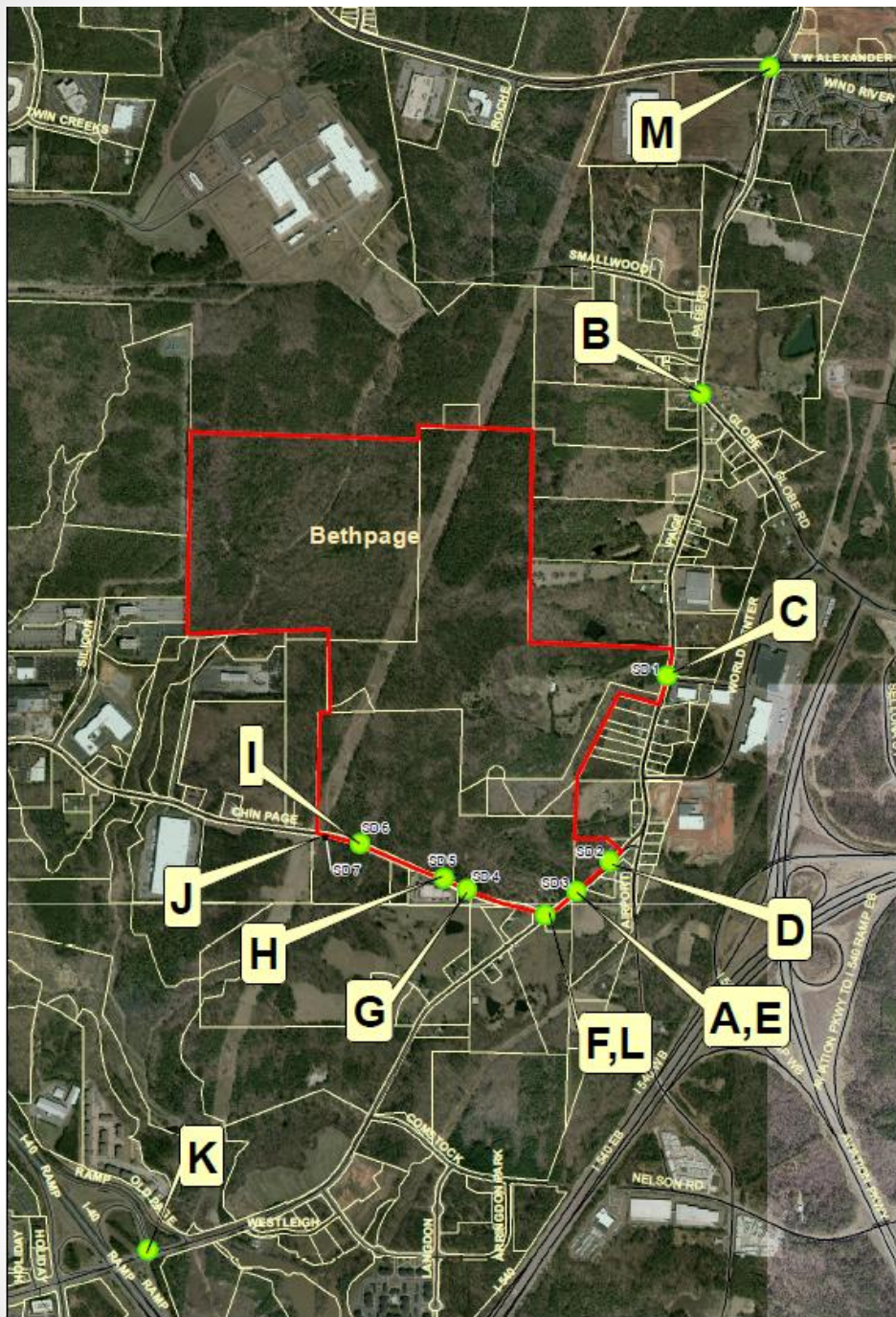


Bethpage Opportunities

- Bethpage is a 400-acre mixed-use development that was rezoned in 2007 to include the following:
 - 500,000 square feet of Office
 - Over 1 million square feet when combined with adjacent office project
 - 150,000 Square Feet of Retail
 - 1,300 Residential Units
- Will Provide a Significant Tax Base and Job Centers
 - 4,200 Office Jobs
 - 200+ Retail Jobs
 - Office and Retail Tax Base: \$260M
 - Residential Tax Base: \$290M
 - Total Tax Base: \$550M

Bethpage Challenge

- Bethpage is a quality, near-term project in an ideal location but faces economic challenges when compared to its closest competitive sites in Raleigh, Morrisville and Cary
- Bethpage faces significant initial infrastructure challenges
 - \$7M of public infrastructure must be constructed before any development can occur (see blowup)
 - This is in addition to the cost to construct the remaining onsite work (utilities, parking lots, local roads, buildings, etc.)
 - The cost to start the development has proven to be a deterrent
 - Traditional bank financing not readily available



Zoning / TIA Required Roadway Improvements

A

PAGE ROAD

1. WIDEN PAGE ROAD TO A FOUR-LANE DIVIDED ROADWAY WITH LEFT AND RIGHT-TURN LANES BETWEEN CHIN PAGE ROAD AND SITE DRIVE 2 WITH ADEQUATE LANE DROPS/TRANSITIONS NORTH OF SITE DRIVE #2 AND SOUTH OF CHIN PAGE ROAD.

B

PAGE ROAD AND GLOBE ROAD

- 1. CONSTRUCT A NORTHBOUND RIGHT-TURN LANE ON PAGE ROAD AT GLOBE ROAD.
- 2. CONSTRUCT A SOUTHBOUND LEFT-TURN LANE ON PAGE ROAD AT GLOBE ROAD.
- 3. WIDENING GLOBE ROAD TO A TWO-LANE WESTBOUND APPROACH, PROVIDING EXCLUSIVE LEFT AND RIGHT TURN LANES.
- 4. INSTALL A TRAFFIC SIGNAL WITH STEEL POLES AND MAST ARMS IF WARRANTED AND APPROVED BY NCDOT.

C

PAGE ROAD AND LOGISTICS WAY / SITE DRIVE 1 (FULL ACCESS)

- 1. INSTALL A NEW TRAFFIC SIGNAL (SUBJECT TO MUTCD WARRANTS AND APPROVAL BY NCDOT).
- 2. CONSTRUCT AN EXCLUSIVE WESTBOUND LEFT-TURN LANE ON LOGISTICS WAY WITH ADEQUATE STORAGE AND APPROPRIATE TAPER.
- 3. CONSTRUCT AN EXCLUSIVE NORTHBOUND LEFT-TURN LANE ON PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPERS.
- 4. CONSTRUCT AN EXCLUSIVE SOUTHBOUND RIGHT-TURN LANE ON PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPER.
- 5. CONSTRUCT SITE DRIVE 1 WITH TWO EGRESS LANES.

D

PAGE ROAD AND AIRPORT ROAD (PLEASANT GROVE CHURCH ROAD) / SITE DRIVE 2 (FULL ACCESS)

- 1. REALIGN THE INTERSECTION AT ITS CURRENT LOCATION TO MAKE PAGE ROAD AS THE CONTINUOUS MAJOR MOVEMENT AND AIRPORT ROAD (PLEASANT GROVE CHURCH ROAD) THE MINOR MOVEMENT WITH STOP-SIGN CONTROL.
- 2. CONSTRUCT AN EXCLUSIVE SOUTHBOUND LEFT-TURN LANE ON PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPERS.
- 3. CONSTRUCT AN EXCLUSIVE WESTBOUND LEFT-TURN LANE ON PLEASANT GROVE CHURCH ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPER.
- 4. CONSTRUCT AN EXCLUSIVE WESTBOUND RIGHT-TURN LANE ON PLEASANT GROVE CHURCH ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPER.
- 5. CONSTRUCT AN ADDITIONAL NORTHBOUND THROUGH LANE ON PAGE ROAD, BEGINNING IN ADVANCE OF CHIN PAGE ROAD AND TERMINATING AS A RIGHT TURN LANE AT PLEASANT GROVE CHURCH ROAD.
- 6. CONSTRUCT AN EXCLUSIVE NORTHBOUND LEFT-TURN LANE ON PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPERS.
- 7. CONSTRUCT AN ADDITIONAL SOUTHBOUND THROUGH LANE ON PAGE ROAD, BEGINNING IN ADVANCE OF SITE DRIVE 2 AND EXTENDING THROUGH CHIN PAGE ROAD.
- 8. CONSTRUCT AN EXCLUSIVE SOUTHBOUND RIGHT-TURN LANE ON PAGE ROAD WITH ADEQUATE STORAGE AND TAPER.
- 9. CONSTRUCT SITE DRIVE 2 WITH TWO EGRESS LANES.
- 10. INSTALL A NEW TRAFFIC SIGNAL (SUBJECT TO MUTCD WARRANTS AND APPROVAL BY NCDOT).

E

PAGE ROAD AND SITE DRIVE 3 (RIGHT-IN/RIGHT-OUT)

- 1. CONSTRUCT AN ADDITIONAL NORTHBOUND THROUGH LANE ON PAGE ROAD.
- 2. CONSTRUCT AN ADDITIONAL SOUTHBOUND THROUGH LANE ON PAGE ROAD.
- 3. CONSTRUCT AN EXCLUSIVE SOUTHBOUND RIGHT-TURN LANE ON PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPER.
- 4. CONSTRUCT A MONOLITHIC CONCRETE ISLAND WITHIN THE CENTER OF PAGE ROAD TO LIMIT TO PROPOSED ACCESS TO RIGHT-IN/RIGHT-OUT ONLY.
- 5. LOCATE SITE DRIVE 3 APPROXIMATELY 500 FEET TO THE NORTH OF INTERSECTION OF PAGE ROAD AND CHIN PAGE ROAD.
- 6. CONSTRUCT SITE DRIVE 3 WITH ONE EGRESS LANE FOR AN EXCLUSIVE EASTBOUND RIGHT-TURN.

F

PAGE ROAD AND CHIN PAGE ROAD

- 1. INSTALL A NEW TRAFFIC SIGNAL (SUBJECT TO MUTCD WARRANTS AND APPROVAL BY NCDOT).
- 2. CONSTRUCT AN ADDITIONAL EASTBOUND LANE ON CHIN PAGE ROAD TO PROVIDE EXCLUSIVE DUAL LEFT-TURN LANES AND AN EXCLUSIVE RIGHT-TURN LANE WITH ADEQUATE STORAGE AND APPROPRIATE TAPERS.
- 3. CONSTRUCT AN ADDITIONAL NORTHBOUND THROUGH LANE ON PAGE ROAD.
- 4. CONSTRUCT AN ADDITIONAL SOUTHBOUND THROUGH LANE ON PAGE ROAD.

G

CHIN PAGE ROAD AND SITE DRIVE 4 (RIGHT-IN/RIGHT-OUT)

- 1. CONSTRUCT AN EXCLUSIVE WESTBOUND RIGHT-TURN LANE ON CHIN PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPER.
- 2. CONSTRUCT A MONOLITHIC CONCRETE ISLAND WITHIN THE CENTER OF CHIN PAGE ROAD TO LIMIT TO PROPOSED ACCESS TO RIGHT-IN/RIGHT-OUT ONLY.
- 3. LOCATE SITE DRIVE 4 APPROXIMATELY 500 FEET TO THE WEST OF INTERSECTION OF PAGE ROAD AND CHIN PAGE ROAD.
- 4. CONSTRUCT SITE DRIVE 4 WITH ONE EGRESS LANE FOR AN EXCLUSIVE SOUTHBOUND RIGHT-TURN.

H

CHIN PAGE ROAD AND SITE DRIVE 5 (FULL ACCESS)

- 1. CONSTRUCT AN EXCLUSIVE EASTBOUND LEFT-TURN LANE ON CHIN PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPERS.
- 2. CONSTRUCT AN EXCLUSIVE WESTBOUND RIGHT-TURN LANE ON CHIN PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPER.
- 3. LOCATE SITE DRIVE 5 APPROXIMATELY 1,000 FEET TO THE WEST OF INTERSECTION OF PAGE ROAD AND CHIN PAGE ROAD.
- 4. CONSTRUCT SITE DRIVE 5 WITH TWO EGRESS LANES.

I

CHIN PAGE ROAD AND SITE DRIVE 6 (FULL ACCESS)

- 1. CONSTRUCT AN EXCLUSIVE EASTBOUND LEFT-TURN LANE ON CHIN PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPERS.
- 2. CONSTRUCT AN EXCLUSIVE WESTBOUND RIGHT-TURN LANE ON CHIN PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPER.
- 3. INSTALL A NEW TRAFFIC SIGNAL (SUBJECT TO MUTCD WARRANTS AND APPROVAL BY NCDOT).
- 4. LOCATE SITE DRIVE 6 APPROXIMATELY 2,000 FEET TO THE WEST OF INTERSECTION OF PAGE ROAD AND CHIN PAGE ROAD.
- 5. CONSTRUCT SITE DRIVE 6 WITH TWO EGRESS LANES.

J

CHIN PAGE ROAD AND SITE DRIVE 7 (FULL ACCESS)

- 1. CONSTRUCT AN EXCLUSIVE EASTBOUND LEFT-TURN LANE ON CHIN PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPERS.
- 2. CONSTRUCT AN EXCLUSIVE WESTBOUND RIGHT-TURN LANE ON CHIN PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPER.
- 3. LOCATE SITE DRIVE 7 APPROXIMATELY 500 FEET TO THE WEST OF INTERSECTION OF CHIN PAGE ROAD AND SITE DRIVE 6.
- 4. CONSTRUCT SITE DRIVE 7 WITH ONE EGRESS LANE.

K

I-40 WESTBOUND RAMP AND PAGE ROAD

- 1. CONSTRUCT AN ADDITIONAL EASTBOUND RIGHT-TURN LANE ON THE I-40 WESTBOUND OFF-RAMP TO PROVIDE DUAL RIGHT-TURNS WITH ADEQUATE STORAGE AND APPROPRIATE TAPERS.
- 2. MODIFY THE EXISTING TRAFFIC SIGNAL PHASING TO ELIMINATE THE FREE-FLOW RIGHT-TURN FOR EASTBOUND APPROACH ON THE I-40 WESTBOUND OFF-RAMP.

L

PAGE ROAD AND CHIN PAGE ROAD

- 1. CONSTRUCT AN EXCLUSIVE SOUTHBOUND RIGHT-TURN LANE ON PAGE ROAD WITH ADEQUATE STORAGE AND APPROPRIATE TAPER.

M

PAGE ROAD - TWALEXANDER DRIVE INTERSECTION

- 1. CONVERT THE EXISTING WESTBOUND RIGHT-TURN LANE INTO A SHARED THROUGH/RIGHT-TURN LANE, PROVIDING ADEQUATE DEPARTURE LENGTH, TAPER AND SIGNAL MODIFICATIONS.
- 2. CONVERT THE EXISTING NORTHBOUND RIGHT-TURN LANE INTO A SHARED THROUGH/RIGHT-TURN LANE WITH SIGNAL MODIFICATIONS.
- 3. CONSTRUCT A SECOND NORTHBOUND LEFT-TURN LANE WITH ADEQUATE STORAGE, TAPER AND SIGNAL MODIFICATIONS.

Zoning / TIA Required Roadway Improvements with Proposed Special Assessment District Improvements Delineated

Proposed Special Assessment District Improvements



TRI PROPERTIES
INCORPORATED



**READER
& PARTNERS**

Solution: Special Assessment District (S.A.D.) Financing

- Pass a Resolution or Adopt an Ordinance to Create a Special Assessment District (S.A.D.) for Bethpage
- No General Obligations / Public Funds Required!
 - Assessments are paid by property owners in the assessment district
 - No obligation for the City to repay the bonds under any circumstance
 - Underlying land is the security for the bonds
 - Infrastructure acquisition is exempt from the public procurement process
- Assessments are levied in proportion to the benefit received
- The cost of district formation and issuance of bonds are payable from bond proceeds
- Ongoing administrative expenses are funded by the assessments subject to the City's authority

Bethpage Special Assessment District (S.A.D.)

- The initial Phase Bond Issuance is projected to be \$7M - \$10M
- With the assessments to be shared by all of Bethpage, the debt servicing will be at a manageable level
- This would allow the project “to get started” and help build momentum in the corridor
- Allows for improvement and investment into the public infrastructure
- This would allow the “front door” to be improved to make the project more attractive to prospective tenants considering Wake County
- This is an Economic Development tool to spur Job Creation/Retention and Capital Investment similar to Incentive Policy Resolution for Downtown but without the requirement of general obligation / public funds

Statutory Process for Assessment District Formation

1. Initiated by a petition of at least a majority of owners constituting 66% of the assessed value of the proposed district
2. City determines estimated cost of the project
3. City adopts preliminary assessment resolution
4. City publishes notice that preliminary assessment resolution has been adopted
5. City holds a public hearing
6. City adopts final assessment resolution
7. City prepares a preliminary assessment roll
8. City files the preliminary assessment roll for public inspection
9. City holds public hearing on the assessment roll
10. City Council confirms the assessment roll
11. City follows statutory process for issuing revenue bonds
12. Legislation expires July 1, 2013

Local Government Commission

(LGC) Limiting Principles

1. Required continuing disclosures
2. Required independent third party administrators
3. Limitations on transfer of bonds
4. Limitation on sale of bonds
5. Limitations on term length – 25 years
6. Limitations on cap volume – interest capitalization limited to 24 months
7. Limitation on ratio of debt to appraised value – financed debt is limited to instances where current appraised value-to-debt ratio is at least 2:1 or the “as built” appraised value-to-debt ratio is at least 3:1 of the property to be assessed
8. Required lender commitments for vertical infrastructure
9. Required adoption of a development policy by the issuer with respect to special assessment financing

Timeline

- Timeline of Key Dates for Bethpage Special Assessment District Financing**

Action Item	Date
City Council Work Session (Overview of Special Assessment District Financing and Bethpage Project)	November 8, 2012
City Receives Special Assessment District Petition; City and Developer Execute Deposit and Reimbursement Agreement	December 3, 2012
City Council Adopts Preliminary Assessment Resolution AND Reimbursement Resolution	December 17, 2012
Selection of Underwriter**	On or before January 4, 2013
City Publishes Notice of Adoption of Preliminary Assessment Resolution and Notice of Public Hearing AND Distributes Such Notice by First-Class Mail to Each Owner of Property Subject to the Assessment	On or before January 10, 2013
City Council Holds Public Hearing on Preliminary Assessment Resolution	January 21, 2013
City Council Adopts Final Assessment Resolution AND Resolution Approving Bond Team (Including, Without Limitation, City, Bond Counsel, Developer, Developer's Counsel, Financial Consultant, Underwriter and Other Professionals)	February 4, 2013
Bond Team Prepares Preliminary Assessment Roll and Plan of Finance; Attorneys Begin to Draft Documents	On or before February 11, 2013
City Causes Preliminary Assessment Roll to be filed with City Clerk	February 2013
City Publishes Notice of (1) Project; (2) Filing of Preliminary Assessment Roll and (3) Public Hearing on Preliminary Assessment Roll AND Distributes Notice of Public Hearing to Each Owner of Property Listed on the Preliminary Assessment Roll	On or before February 22, 2013

Timeline (cont'd)

City Holds Public Hearing on Preliminary Assessment Roll	March 4, 2013
Submit Application to Local Government Commission (LGC) Seeking Approval of Proposed Revenue Bond Project	March 18, 2013
Counsel Circulates First Drafts of Bond and Underwriting Documents; Financial Consultant Circulates First Draft of Assessment Methodology and Allocation Report; Bond Team Prepares and Circulates Special Assessment District Financing Policy and First Draft of Implementation Agreement and Billing and Collection Agreement with Durham County	March 20, 2013
Preliminary Conference Between City and LGC Regarding Proposed Bond Issue	On or before March 22, 2013
Conference at LGC to discuss First Draft of Documents	On or before March 29, 2013
Professionals Circulate Second Draft of Documents	On or before April 3, 2013
Conference to discuss Second Draft of Documents	On or before April 10, 2013
Professionals Circulate Third (Substantially Final) Draft of Documents	On or before April 17, 2013
Selection of Third-Party Administrator for Special Assessment District (for Annual Reporting and Continuing Disclosure)	On or before May 1, 2013
Local Government Commission Approval	May 7, 2013
City Adopts Bond Order	May 20, 2013
City Confirms Assessment Roll (and Annuls or Modifies Assessment Roll, as appropriate) and Delivers Assessment Roll to County Tax Collector	May 20, 2013***
Execution of Billing and Collection Agreement with Durham County	May 21, 2013

Timeline (cont'd)

Last date an action or defense asserting City did not receive proper petition for the assessment may be submitted or raised	May 22, 2013
Posting of Offering Document	May 22, 2013
Last Date on Which an Owner of Property May File a Notice of Appeal of the Assessments	No Later than 10 Days following confirmation of assessment roll
Any Appealing Property Owner Must Serve the City Council or City Clerk with Statement of Facts Upon Which Appeal is Based	No Later than 20 Days following confirmation of assessment roll
Tax Collector Publishes Notice of Confirmation of Assessment Roll	No earlier than 20 days following confirmation of assessment roll
Sale of Bonds	June 11, 2013
Pre-Closing of Bonds	June 26, 2013
Closing of Bonds	June 27, 2013

* This timeline assumes action by the City and the Local Government Commission on the earliest possible date for each action item. This timeline also assumes a limited public offering of the bonds and, therefore, engagement of an Underwriter early in the timeline. In addition, this timeline is not inclusive of various action items related to the acquisition, construction and equipping of the Project, including securing construction bids and required major permits and performing a Phase I environmental study on the property, all of which must be completed or received prior to LGC approval, but, as part of a Special Assessment District project, are exempt from the public procurement process.

** Underwriter selection is not a statutory requirement, but the Underwriter's early involvement is critical to the process, given the substantial amount of due diligence involved, including performing an appraisal and a market study. The Underwriter will play an important role in the selection of the appraiser and the consultant. The due diligence process will require a minimum of eight weeks and must be concluded before the Underwriter conducts an offering of the bonds (scheduled to begin on May 22, 2013). During the offering period (between May 22 and June 11), the Underwriter will also arrange and manage investor site visits.

*** Confirmation of Assessment Roll can happen on or after the date of the public hearing (March 4, 2013), but should coincide with or follow adoption of the Bond Order.

Next Steps

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